

FINAL BILL REPORT

HB 1915

C 208 L 05

Synopsis as Enacted

Brief Description: Authorizing the governor to enter into cigarette tax contracts with additional tribes.

Sponsors: By Representatives McIntire, Conway, Clements, McCoy, Williams and Chase; by request of Department of Revenue.

House Committee on Finance

Senate Committee on Ways & Means

Background:

The rate for the cigarette tax is 142.5 cents per pack of 20 cigarettes. Retail sales and use taxes are also imposed on sales of cigarettes. Revenue from the first 23 cents of the cigarette tax goes to the State General Fund. The next 8 cents are dedicated to water quality improvement programs through June 30, 2021, and to the State General Fund thereafter. The next 101 cents go to the Health Services Account. The remaining 10.5 cents are dedicated to youth violence prevention and drug enforcement. Retail sales and use taxes are also imposed on sales of cigarettes. The total rate for state and local sales and use taxes varies from 7 percent to 8.6 percent, depending on the location.

Under federal law, the cigarette tax does not apply to cigarettes sold on an Indian reservation to an enrolled tribal member for personal consumption. However, sales made by tribal cigarette retailers to non-tribal members are subject to the tax. Enforcement of state cigarette taxes with respect to tribal retail operations has involved considerable difficulty and litigation, with mixed results.

In 2001, the Governor was authorized to enter into contracts concerning the sale of cigarettes with federally recognized Indian tribes located within Washington. Contracts must be for renewable terms of eight years or less. Cigarettes sold on Indian lands under a contract are subject to a tribal cigarette tax and are exempt from state cigarette and sales and use taxes.

In general, cigarette contracts must:

- limit tribal retailing to sales of cigarettes by tribes or Indians in Indian country;
- prevent sales to any person under the age of 18 years;
- require that the tribal cigarette tax be used for essential government services;
- require the use of tribal cigarette tax stamps;
- include provisions for tax compliance;
- require that tribal retailers purchase cigarettes only from approved sources; and
- include a procedure for correcting violations of the contract and provision for termination of the contract should violations not be resolved.

The original cigarette contract legislation authorized the Governor to enter into contracts with the Squaxin Island Tribe, the Nisqually Tribe, the Tulalip Tribes, the Mukleshoot Indian Tribe, the Quinault Nation, the Jamestown S'Klallam Indian Tribe, the Port Gamble S'Klallam Tribe, the Stillaguamish Tribe, the Sauk-Suiattle Tribe, the Skokomish Indian Tribe, the Nooksack Indian Tribe, the Lummi Nation, the Chehalis Confederated Tribes, and the Upper Skagit Tribe. Subsequent legislation authorized contracts with the Yakama Nation, the Suquamish Tribe, the Snoqualmie Tribe, the Swinomish Tribe, the Quileute Tribe, the Samish Indian Nation, and the Kalispel Tribe.

Summary:

The Governor may enter into cigarette tax contracts with the Confederated Tribes of the Colville Reservation, the Cowlitz Indian Tribe, the Lower Elwha Klallam Tribe, and the Makah Tribe. The terms of the contracts must be the same as for previously authorized contracts.

Votes on Final Passage:

House	96	0
Senate	44	0

Effective: July 24, 2005